

Message Text

PAGE 01 ROME 00476 111858Z

64

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 SCI-06 SCEM-02 COME-00 INT-08 OMB-01

TRSE-00 OPIC-12 STR-08 NEA-10 DRC-01 /173 W

----- 078190

R 111725Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2673

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY JIDDA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 0476

E.O. 11652: GDS

TAGS: ENRG IT

SUBJECT: ITALIAN ENERGY SITUATION

REF: ROME 14254

1. BEGIN SUMMARY: GOI ENERGY OFFICIALS (RISTAGNO-MIN. INDUSTRY, LOPEZ CALLY - MFA) CONFIRM OUR GROWING CONVICTION THAT ALTHOUGH OIL SUPPLY SITUATION CONTINUES TO GIVE RISE TO CONCERN, PRICE HAS
CONFIDENTIAL

PAGE 02 ROME 00476 111858Z

BECOME MUCH MORE SERIOUS FACTOR. ITALIANS SEE NO WAY OF ABSORBING THE ANTICIPATED \$7 BILLION PLUS COST OF 1974 OIL IMPORTS, WITH ESTIMATED CY 1973 TRADE DEFICIT IN RANGE OF \$5 BILLION. REGARDING INTERNAL PETROLEUM MARKET, NO DECISION YET TAKEN ON

PRODUCT PRICE INCREASES, ALTHOUGH FEELING IS THAT COMPANIES WILL BE AUTHORIZED EVENTUAL 40-50 LIRE/LITER INCREASE IN PRICE OF GASOLINE, BRINGING PREMIUM GRADE TO 250 LIRE/LITER. MINISTRY OF INDUSTRY TECHNICAL COMMISSION CONTINUING TO DRAW UP POSSIBLE RATIONING PLANS WHICH COULD TAKE EFFECT MARCH-APRIL 1974 -- EITHER RIGID RATIONING (70-80 LITERS/MONTH AT 250 LIRE/LITER), OR MORE FLEXIBLE SYSTEM WITH ADDITIONAL QUANTITIES GASOLINE BEING AVAILABLE AT CONSIDERABLY HIGHER PRICE OF 350-400 LIRE/LITER. GOVERNMENT MOVING AHEAD ON NATIONAL PETROLEUM PLAN TO BE READY BY END OF JANUARY. REGARDING ITALY-SAUDI OIL RELATIONS, RISTAGNO ACKNOWLEDGED WIDESPREAD FEELING THAT GOI HAS PASSIVELY WATCHED FRENCH AND BRITISH WORK OUT BILATERAL DEALS WITH SAUDIS. RISTAGNO SUGGESTED THAT ONLY QUESTION OF PRICE IS IN WAY OF A SIMILAR ITALIAN DEAL. TO COUNTER CRITICISM OF INACTION, PRESIDENT LEONE'S DIPLOMATIC COUNSELOR, SENSI, BEING DISPATCHED TO SAUDI ARABIA. END SUMMARY.

2. ON OIL SUPPLY SIDE, RISTAGNO ALLUDED TO PERSISTING REPORTS OF SHORTAGES OF FUEL OIL FOR INDUSTRY. HE ATTRIBUTED LARGE PART OF PROBLEMS TO BOTTLENECKS -- E.G., IMBALANCE BETWEEN SUPPLY AND DEMAND WITHIN INDIVIDUAL PROVINCES -- WHICH MINISTRY OF INDUSTRY ATTEMPTING TO REMEDY. HE HAS CHECKED PRESS REPORTS OF FACTORY CLOSINGS AND FOUND THEM GREATLY EXAGGERATED. ONLY A FEW HAVE SHUT DOWN. RISTAGNO ACKNOWLEDGED THAT WHILE OVERALL SUPPLY PROSPECTS CLEARLY IMPROVED SINCE RECENT ARAB DECISION TO REDUCE PREVIOUS PRODUCTION CUTBACKS, THE QUESTION OF COST IS INCREASINGLY BECOMING THE OVERRIDING ELEMENT. HE WONDERED HOW ITALIAN BALANCE OF PAYMENTS COULD ACCOMMODATE THE LAST ROUND OF PRICE INCREASES WHEN IT IS ALREADY IN PRECARIOUS STATE. CURRENT CRUDE PRICES COMPEL THE GOVERNMENT TO CONTINUE ITS ENERGY AUSTERITY PROGRAM, INCLUDING THE EVENTUAL RATIONING OF GASOLINE.

3. CURRENT SUPPLY SITUATION IS TIGHT. RISTAGNO SAID THAT ANTICIPATED JANUARY REFINERY RUNS EXPECTED TO TOTAL ONLY 6 1/2 MILLION TONS, DOWN SHARPLY FROM 9 MILLION IN NORMAL REQUIREMENTS. HE FURTHER CONFIRMED WHAT U.S. COMPANIES (ESSO, GULF, MOBIL) TOLD US IN MEETING WITH THE AMBASSADOR LAST WEEK; AGREEMENT BY CONFIDENTIAL

PAGE 03 ROME 00476 111858Z

COMPANIES WITH MIN. INDUSTRY DE MITA TO SUPPLY INDUSTRIAL FUEL OIL AT 100 PERCENT LEVEL PREVIOUS YEAR FOR DECEMBER AND JANUARY IS CUTTING INTO OPERATING STOCKS TO EXTENT THAT THEY WILL BE AT MINIMUM TOLERABLE LEVEL BY END OF FEBRUARY. THEREAFTER, DE MITA WILL HAVE TO AUTHORIZE DRAWDOWNS OF MANDATORY RESERVES. COMPANIES ESTIMATE THESE COULD BE DEPLETED AS EARLY AS END APRIL. RISTAGNO FEELS THAT EVEN IF SUPPLY SITUATION IMPROVES, AND HE SEES NO GUARANTEE IT WILL GIVEN ITALIAN PRICE STRUCTURE AND UNCERTAINTIES OF ARAB BEHAVIOR, PRICE PROBLEM WILL BE JUST AS SEVERE AS PHYSICAL SHORTAGE IT REPLACES. HE OBSERVED THAT GOI HAS PENCHANT FOR GAMBLING BY RESOLVING SHORT TERM PROBLEMS AT RISK OF AGGRAVATING LONG TERM DIFFICULTIES, A COMMENT ALSO MADE EARLIER BY THE U.S. COMAPNIES.

4. RISTAGNO CRITICIZED GOVERNMENT FOR FAILURE SO FAR TO SANCTION INTERNAL MARKET PRICE INCREASES IN CONTRAST WITH CONTROLLED FRENCH MARKET WHERE UPWARD ADJUSTMENTS HAVE BEEN QUICK AND DECISIVE. HE FEARED CONTINUED INACTION BY GOI COULD ISOLATE ITALIAN MARKET AND FURTHER AGGRAVATE THE SUPPLY SITUATION. PRODUCT WOULD MOVE TO MORE LUCRATIVE MARKETS AS WAS THE CASE LAST YEAR BEFORE GOI APPROVED PRICE INCREASES OF SEPTEMBER 30. GOVERNMENT AND INDUSTRY SOURCES HAVE BEEN TALKING GENERALLY OF A 50 LIRE/LITER INCREASE IN GASOLINE PRICES AND CORRESPONDING INCREASES FOR OTHER PRODUCTS.

5. MINISTRY OF INDUSTRY TECHNICAL COMMISSION (OF WHICH RISTAGNO IS MEMBER) IS WRAPPING UP ITS STUDY OF POSSIBLE GAS RATIONING PROGRAM WHICH THOUGHT LIKELY TO REPLACE SUNDAY DRIVING BAN LATER THIS SPRING. RISTAGNO STATED THAT MOST THORNY PROBLEM IS THAT OF ADMINISTERING THE PROGRAM -- IT WOULD PRESUMABLY BE CARRIED OUT UNDER AUSPICES OF AUTOMOBILE CLUB OF ITALY AND POST OFFICES, WHICH ALREADY HAVE NOTORIOUS REPUTATION FOR INEFFICIENCY. NO FINAL DECISION YET REACHED ON WHETHER SYSTEM SHOULD BE ONE OF RIGID RATIONING (70-80 LITERS/MONTH, WITH SUPPLEMENTAL QUANTITIES GOING TO CERTAIN CATEGORIES USING AUTOMOBILE ON JOB), OR A TWO-TIER SYSTEM, WITH ABOVE QUANTITY OF GASOLINE RATIONED MONTHLY AT 250 LIRE/LITER AND ADDITIONAL QUANTITIES FREELY AVAILABLE AT CONSIDERABLY HIGHER PRICE OF 350/400 LIRE/LITER, WITH ADDITIONAL REVENUE GOING TO GOVERNMENT TO HELP OFFSET DIMINISHED GASOLINE TAX RECEIPTS RESULTING FROM DECREASED CONSUMPTION.
CONFIDENTIAL

PAGE 04 ROME 00476 111858Z

6. REGARDING NATIONAL PETROLEUM PLAN WHICH GOVERNMENT ORDERED DRAWN UP LAST SEPTEMBER AT TIME OF APPROVING PETROLEUM PRODUCT PRICE INCREASES (ROME 10564, 2 OCTOBER 1973 NOTAL), RISTAGNO STATED THAT PLAN WILL BE READY BY JANUARY 31 DEADLINE ESTABLISHED. HE COMMENTED THAT WHEREAS CERTAIN OF ITS OBJECTIVES -- E.G., GUARANTEED OIL SUPPLY AT STABLE PRICES, STRENGTHENED ROLE FOR ENI -- ARE ADMIRABLE IN THEORY, PLAN UNFORTUNATELY SEEMS TO TAKE VIRTUALLY NO ACCOUNT OF CURRENT SITUATION.

7. TURNING TO QUESTION OF ITALO-SAUDI OIL RELATIONS IN LIGHT OF CURRENT YAMANI VISIT AND REPORTED FRENCH AND BRITISH BILATERAL DEALS WITH SAUDIS -- A SUBJECT OF GREAT CURRENT INTEREST IN ITALIAN PRESS -- RISTAGNO CONFIRMED OUR FEELING THAT GOI FEELS ITSELF UNDER HEAVY CRITICISM FOR NOT HAVING TAKEN ACTION TO ASSURE ITSELF A SHARE OF SAUDI PRODUCTION. HE RECALLED THAT DURING KING FELSAL VISIT TO ITALY LAST SUMMER CONVERSATIONS COVERED POSSIBLE SUPPLY OF CRUDE IN RETURN FOR INDUSTRIAL EQUIPMENT, BUT THAT INITIATIVE REMAINED BLOCKED OVER QUESTION OF PRICE. TO COUNTER PRESENT WAVE OF CRITICISM OF GOI INACTION, PRESIDENT LEONE'S DIPLOMATIC COUNSELOR SENSI HAS BEEN DISPATCHED TO SAUDI ARABIA BEARING PERSONAL MESSAGE FROM LEONE TO KING FEISAL AND TO DISCUSS ITALIAN VIEWS ON POSSIBLE COOPERATION. RISTAGNO

QUESTIONED NEED FOR SUCH A VISIT AT VERY TIME THAT YAMANI IN
ROME. THE ONLY HURDLE TO ITALO-SAUDI AGREEMENT, ACCORDING TO
RISTAGNO, IS QUESTION OF PRICE ITALIANS WILLING TO PAY. VOLPE

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES, VISITS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME00476
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740174/abbrzbkm.tel
Line Count: 168
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: ROME 14254
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Jul-2001 by boyleja>; APPROVED <10 APR 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN ENERGY SITUATION
TAGS: ENRG, PFOR, IT
To: STATE INFO BELGRADE
BERN
BONN
BRUSSELS
COPENHAGEN
THE HAGUE
DUBLIN

LUXEMBOURG
LONDON
PARIS
TOKYO
VIENNA
JIDDA
EC BRUSSELS
OECD PARIS

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005